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Testimony on the BLM Live Internet Auctions Act – HR 2752

The BLM is currently hindered by outdated legislative language. During this presentation we will explore how you can fix this problem. As members of Congress, you have an opportunity to dramatically improve the BLM's revenue-generating oil and gas leasing program.

EnergyNet is a company that has spent the last eleven years conducting oil and gas auctions on a fully Internet-based, continuous oil and gas marketplace, and we appreciate the opportunity to share our professional experience with you.

Let's start with the biggest question: Why does the BLM need the **freedom** to utilize the **Internet** for their lease program?

There are many reasons why an Internet auction is **superior** to a traditional, live, outcry auction. The **BLM Live Internet Auctions Act** that you are considering would **allow** the BLM to harness the power of a vast Internet-based oil and gas auction marketplace, which presents a host of new opportunities to the BLM.

The **BLM Live Internet Auctions Act** would **allow the use of Internet sales** of oil and gas leases, presenting a wealth of new possibilities.

In this presentation, we would like to highlight three of the benefits this will bring if the **BLM Live Internet Auctions Act** is passed:

- The opportunity to **modernize** the BLM leasing program
- The **increased participation and competition** an Internet platform fosters, and
- The **increased revenue** the BLM can realize as a result of that competition, and as a result of the cost savings an Internet platform can provide

To modernize the BLM's Leasing Program, we must first realize that the current legislation is simply outdated, and "accidentally specific." The Internet, and certainly an Internet auction platform, was unheard of in 1920, but at the time, lease sales could be conducted by "competitive bidding."

Unfortunately, the **unintentionally-limited** wording of the Leasing Reform Act of 1987 bound the BLM to an oral auction format, which has become outdated in the 24 years since.

The BLM Live Internet Auctions Act Fixes this – allowing the Secretary of the Interior the option to "conduct onshore lease sales through Internet-based live bidding methods," modernizing the Mineral Leasing Act.

Under the current, oral-auction-only system, bidders who wish to participate in lease sales from multiple state offices have to deal with different physical locations to travel to, different hotels to stay in, different auction venues, and even different auctioneers.

With the Internet as an option for the BLM, a bidder could participate from **any web browser**, from any location, using the same tools and bidding interface for every sale. Bidders can even participate in multiple lease sales that are being held simultaneously.

If you have a web browser, you already have a seat at the auction.

While participants will appreciate a standardized, uniform auction experience, BLM state offices should also expect a system that lets them **customize their individual sales wherever necessary**, and one that **plugs into their existing workflow**.

Rather than retrofit each state office's sale process to fit an Internet model, a well-designed Internet auction **serves the state office**, and will provide each office with an easy way to:

- **Transmit sale group and parcel information** to the auction website, and to potential bidders,
- **Display each parcel's due diligence** information in a uniform format,
- **Update that parcel information instantly** when new information becomes available or a parcel has to be pulled from the auction, and then immediately contact every participant who viewed the now-outdated information,
- **Perform the actual auction itself**, and then
- **Receive transactional data** and other post-sale reporting after the sale in a format that best suits the state office.

BLM offices with unique bidder qualification requirements, parcel stipulations or timing restrictions can have these terms built directly into the sale, and even automated in many cases.

This ultimately **reduces costs and workload for the BLM**, while letting individual state offices retain the unique characteristics of their sales.

Even one large room full of potential Buyers pales in comparison to an entire nation full of potential buyers. There is no doubt: An Internet-based auction reaches more people than a traditional auction ever could.

For example, EnergyNet has more-than-16,500 active, sophisticated, registered, accredited oil and gas investors, representing every state in the United States. Every EnergyNet Buyer with a bid allowance has had their identification validated through direct communication with that Buyer's banker, in order to circumvent fraudulent bidding activity

EnergyNet Buyers can evaluate assets and place bids from anywhere, without travel hassles or expenses. It's how we've done business for eleven years, and we believe the results confirm the process: Our Internet marketplace has sold more than 35,500 properties all across the United States since we began in 1999 – over \$750M in total sales, **and we've done it all through a web browser**.

This is the power of an Internet marketplace, and this is **exactly** what the BLM Live Internet Auctions Act opens the door to.

Guhan Subramanian serves both as a professor of Law & Business at Harvard Law School and as a professor of Business Law at Harvard Business School – the only person in Harvard’s history to hold tenured appointments at both universities.

Professor Subramanian's research focuses on negotiations, auctions, and "deal process design." His work has been featured in the Harvard Business Review, the Harvard Law Review, the Wall Street Journal, and the New York Times. He is also the author of *Negotiauctions*, a book that explores the connections between negotiations and auctions.

In 2010, EnergyNet contacted Professor Subramanian and requested that he examine five years of our raw, historical auction data, so that we could truly understand how our Internet marketplace compared to traditional, live oil and gas auctions.

Among his conclusions, Professor Subramanian noted the following about using the Internet as a marketplace:

- The online auction format **attracts bidders** who would be unable or unwilling to attend on-site auctions, and...
- The online-only process **preserves a level playing field** among all bidders

Overall, he said, *“It’s simple: Greater buyer exposure leads to more competition. More competition leads to higher returns for sellers.”*

The oil and gas industry understands this, and has embraced the Internet as a critical part of their divestment activities.

EnergyNet’s Internet platform has successfully divested properties for:

- Chevron and other major oil companies
- Chesapeake, and other large independents
- Universities and bank trust departments
- Government institutions, such as the FDIC and the State of North Dakota
- ...and even for the BLM, when we were proud to develop and host their Oil and Gas Lease Internet Auction Pilot program in 2009 – their first opportunity to test the viability of an Internet auction

One seller put our Internet auction to the test in a significant way.

In 2008, EnCana split a large divestiture package, into two equal-sized component packages. EnergyNet received one of the packages. The other package was given to one of our competitors who hosts a traditional outcry auction with a “hybrid” Internet component.

Each package was given a reserve price valuation of approximately \$16.5 million dollars. To ensure that oil and gas prices were the same, both auctions were held during the same week.

Our competitor's traditional auction sold their package for \$18.5 million.

EnergyNet's Internet auction sold its package for \$24.5 million – ***over 32% more than the traditional auction.***

Another of EnergyNet's sellers, Chevron Incorporated, named the 16th largest public company in the world by Forbes Global 2000, has had tremendous success divesting oil and gas assets on an Internet-only platform.

From June of 2003 through April 2011, Chevron utilized our Internet auction platform to divest over 2000 lots from 27 states with a combined anticipated reserve price of \$87.7 million dollars. Their total actual sales were more than \$134 million dollars, a 53% premium over their combined anticipated reserve, and far above their expectations.

In conclusion: Through modernization, you allow the BLM to increase the participation and competition for every lease sale, and increase their revenue through higher parcel values and lower internal costs.

This can happen for the BLM through the BLM Live Internet Auctions Act. This piece of legislation opens the door, by:

- Giving the Secretary of the Interior the authorization to establish an Internet leasing program,
- Establishing the guidelines for a testing period, and then
- Requiring a report to Congress with an analysis of the first 10 Internet-based lease sales

This common sense piece of legislation can truly change the future of the BLM's leasing program.

That concludes our presentation. On behalf of the entire team at EnergyNet, we thank you for the opportunity to share our professional experience with you.

Thank you very much!

ENERGYNET.COM, INC.

Committee Report

Oil and Gas Lease Internet Auction Pilot (OGLIAP)

Kevin McDonald

10/12/2009

This document includes internal information and analysis concerning the Oil and Gas Lease Internet Auction Pilot (OGLIAP) system developed by EnergyNet.com, Incorporated for the Bureau of Land Management (BLM). Information included in this report may only be reproduced with specific written permission from EnergyNet.com, Inc.



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Oil and Gas Lease Internet Auction Pilot overview

The Bureau of Land Management's Oil and Gas Lease Internet Auction Pilot (OGLIAP) service was built and hosted by EnergyNet.com, Inc. in Amarillo, Texas to the detailed specifications authored by the BLM. OGLIAP was designed to provide an Internet-based auction to evaluate the viability of new, online auction methodologies. All parcel evaluation, registration and bidding was performed over the Internet using standard web browser-based technology.

OGLIAP was made available to the public on July 8, 2009, listing 38 parcels for auction. Ten parcels were later withdrawn from the auction by the BLM Colorado State Office. The remaining parcels were divided to open for bidding over a 2-day period. Each parcel, after opening, was available for a 7-day bidding period. Parcels closed for bidding on September 16-17, 2009.

Viewer statistics and notes

- OGLIAP received thousands of visitors, with parcel views from 92% of the U.S. - 100% of oil and gas producing states
- 100% website uptime; 24/7 availability

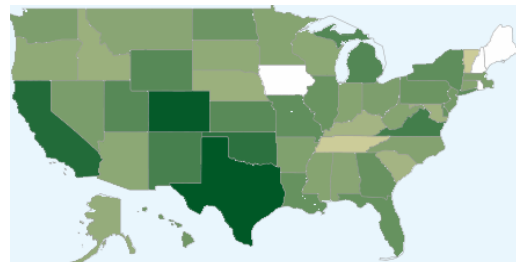


Figure 1: Heat-map of relative OGLIAP viewing volumes

U.S. citizen bidder statistics and notes

- Fully online registration and bidding process; participate from any Internet-enabled device
- Bidders were provided advanced anonymous bidding options involving flat bids and proxies
- Registered bidders enjoyed an estimated travel savings of 30,000 miles for this auction, including from distant states such as Massachusetts, Florida and Hawaii.

Benefits of the online auction format to bidders and the BLM

- Fully transparent auction process for both leasing participants and Bureau staff
- Instant, paperless, coast-to-coast exposure of BLM parcels provides the capability to immediately update parcel information and actively notify auction participants via email
- Nationwide user participation without travel restrictions increases bidder competition by expanding the potential bidder pool
- Online presentation removes physical location for possible auction sidewalk protests
- Potential to standardize online parcel presentation across all lease sales
- Modern bidding system provides participants with flexible, configurable bidding options including proxy bidding
- Fully Section 508 compliant for a highly accessible website
- Potential for tight integration with existing BLM systems
- Overall paper and carbon emission reduction (see below)
- The online format gives the BLM flexibility with scheduling and updates: Auctions with any sort of interruption (i.e. technical, weather-related, etc.) can immediately be postponed, reset or rescheduled, and all participants notified.



Size matters: Why the auction format is best for the BLM

The live auction format has performed well for the BLM for more than 20 years. Add to that the competition and exposure possible with the continuous Internet auction venue possible with today’s technology, and you have the best of both worlds. Through EnergyNet’s experience of conducting both sealed bid and auction sales, and after the sale of 28,000 properties over the past 10 years in the private sector, we have concluded that ***the excitement generated by adding the auction element to the bidding process leads to increased competition and thereby adds value.***

Similarly, the sealed bid format has an important role, but it is critical to understand the differences between **offshore** and **onshore** leasing. Sealed bid lends itself to larger offshore lease blocks as there are fewer interested parties, whereas smaller onshore BLM parcels lend themselves to the auction process because there are infinitely more bidders. The number of bidders qualified for offshore MMS sealed bidding can be counted on one hand.

Worlds Apart	
<i>Offshore lease blocks vs. onshore tracts: The sale methodologies don't mix.</i>	
Sealed Bid (MMS)	Auction (BLM)
<ul style="list-style-type: none"> • 10 or fewer potential bidders capable of multi-million dollar bids, always the same players • Private sector comparable sale statistics are non-existent • Reserve potential underlying MMS lease blocks (i.e. 10,000's of acres) can vary by billions of dollars of future revenue 	<ul style="list-style-type: none"> • 1000's of possible bidders, with new bidders entering the market all the time • Numerous offsetting lease sale comparables in immediate areas due to private sector activity • Reserve potential underlying a 20-100 acre BLM lease can vary much less, therefore the bonus value is more easily quantified

When selling onshore BLM leases, there are numerous private land owner comparables available. With offshore MMS lease blocks, the value attributed to those assets by large companies can be very different. Therefore, the sealed bid process is ideal because the spectrum of evaluations is so wide. The same does not hold true for onshore BLM leases, making the auction format the clear choice for the competitive process.

Industry reaction

The oil and gas industry has been quick to adopt the online leasing format and the host of benefits it brings to the table. One of the most notable benefits imparted by the online format is the increased transparency between the Bureau’s leasing program and the public. By entirely digitizing the auction



process, bidders will have live and up-to-date information 24 hours a day and have access to parcel and bid information at unprecedented levels of detail. Additionally, the BLM itself will experience a streamlined auction process internally, as the OGLIAP application can be automated and integrated with both the pre-auction parcel preparation process and the post-auction payment and collections systems. By constructing an online set of tools and building a fully digital lease process, both the industry and the BLM will benefit from increased efficiency and enjoy a higher quality of service.

Compared to the sealed bid process outlined in H.R. 3534, the open and transparent nature of the online auction shines as a stronger alternative. The online auction is, by its nature, easily verifiable as a legitimate and fair competitive process where every bid received is noted on a parcel's bid history table. Comparatively, the sealed bid process forces lessees to bid without any knowledge of the competition's interest or intent. Because of the competitive unknowns introduced by the sealed bid format, a discount will be ultimately be levied against the sale's prices. By providing constantly updated, highly accurate access to the sale's progress, bidders using the online auction format are enabled to participate in the auction more fully, resulting in more competition and a higher level of participant satisfaction.

The Oil and Gas Lease Internet Auction Pilot was demonstrated to a panel of private oil and gas representatives at the *Industry Review Meeting* in the last phase of the OGLIAP application development. A number of suggestions provided by the panel were incorporated into the application prior to launch, and the overall response was positive. The theme of industry excitement and acceptance was further evident at a series of training sessions held at the Colorado State BLM Office to bring the system into the hands of the very bidders who would be using it. EnergyNet provided a fully mobile training lab providing users with a genuine, hands-on training opportunity with the application.

Potential for paper and carbon emission reduction

If each of the unique viewers of the OGLIAP website represented a reduction in the number of paper-based auction/parcel listings books that must be printed and mailed, at an average of 50 pieces of paper per book, this would have resulted in the savings of **over 124 reams of paper** and **1.38 metric tons of carbon emissionsⁱ** during the pilot auction.

Estimating the distance between each registered bidder and the BLM Colorado State Office, registered bidders enjoyed a potential combined **travel savings of 31,885 miles** and **7 metric tons of carbon emissionsⁱⁱ** for the pilot auction.

Looking forward

Based on industry developments found in the private and now the government sectors, the online auction system has enormous potential to further refine and improve the BLM's federal leasing process. The return on investment for the BLM has been exceptional based on the first pilot sale, both in terms of bidder participation and service to the oil and gas exploration and development industry.

Many ideas have been explored over the course of the past year's design and development of the leasing website, and further when conducting the actual lease sale. Augmented by feedback received from industry users, certain improvements to the registration and auction closing process are possible



and recommended, including an improvement to the existing identity validation and online payment integration. Improving these functions will work to provide novel new protections against fraudulent bidding and auction disrupters as seen earlier this year in Utah.

While subdued by the current economic realities, leasing programs in western states continue to earn federal income and provide exploration opportunities for the oil and gas industry. The online auction, with its inherent flexibilities, is a good fit for all of the states involved in the federal leasing program. It is entirely feasible to develop and conduct an online auction for each of the BLM Leasing Offices over the next year, including additional auctions for Colorado as well as for Montana, New Mexico, Utah, Wyoming and the surrounding states that these offices service.



Public reaction

The OGLIAP project has been mentioned in several media outlets. All of the reports EnergyNet encountered presented the OGLIAP project in a positive manner, noting the historic element of the BLM Leasing Program's first use of an Internet platform for conducting auctions. Below are samplings from some of the articles written about the project:

Mainstream media

"The federal Bureau of Land Management is going eBay — or at least eBayish. The September auction of Colorado oil and gas leases will be held online — a \$250,000 pilot project that could lead to all federal lease sales being conducted on the Internet..."

The Denver Post

BLM to try online auction for Colorado oil, gas leases

July 8, 2009

"DENVER (AP) - The Colorado office of the Bureau of Land Management will achieve a first for the agency when it conducts its next quarterly oil and gas lease auction online..."

Associated Press

Colo. BLM picked for pilot online lease auction

July 10, 2009

"The Bureau of Land Management's Colorado office said Monday it will hold the federal land agency's first-ever online auction of oil and gas leases under a pilot program..."

Denver Business Journal

BLM Colorado to hold first-ever online auction for oil, gas leases

July 13, 2009



"...Right now, the BLM is conducting an online pilot auction, giving bidders a chance to compete for parcels online rather than in person. San Miguel County Planning Director Mike Rozycki said the BLM was testing the new system but will fall back on its normal method — an in-person auction the Denver suburb of Lakewood — while the federal government reviews the online method..."

Telluride Daily Planet

*No acres up for mineral lease in San Miguel County:
Uranium may again boom, but oil and gas is quiet, for now*
September 16, 2009

"In the agency's first-ever online sale of oil and gas leases, the U.S. Bureau of Land Management's Colorado office sold 19 parcels of 28 offered, totaling 7,701 acres, and earned \$153,637..."

Denver Business Journal

BLM nets \$154K in first-ever online lease sale in Colorado
September 14, 2009

Comments received via the OGLIAP Help Desk

"We've never had deep enough pockets to travel to a live sale. This is great we'll be able to go on the Internet."

Edward Stephens
September 5, 2009

"I have eight thousand acres in BLM Leases in east Texas, and it's exciting to be able to participate in other states this way."

James Baccus
September 5, 2009

ⁱ Calculations based on information from U.S. EPA, 2006. Solid Waste Management and Greenhouse Gases: A Life-Cycle Assessment of Emissions and Sinks, EPA530-R-06-004.

ⁱⁱ Calculations based on information from U.S. Department of Transportation, Bureau of Transportation Statistics; TranStats, Air Carrier Summary: Schedule T-1; "Airline Fuel Cost and Consumption"; "Airline Fuel Cost and Consumption."



ENERGYNET.COM, INC.

Post-Sale Statistical Analysis

Oil and Gas Lease Internet Auction Pilot (OGLIAP)

Kevin L. McDonald

9/21/2009

This document includes confidential and proprietary information about the Oil and Gas Lease Internet Auction Pilot (OGLIAP) system developed by EnergyNet.com, Incorporated for the Bureau of Land Management (BLM). The BLM shall have the right to duplicate, use, or disclose this information to the extent provided by the contract governing this project.

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Executive summary

The Bureau of Land Management's Oil and Gas Lease Internet Auction Pilot (OGLIAP) program was built and hosted by EnergyNet.com, Inc. in Amarillo, Texas to the detailed specifications authored by the BLM. OGLIAP was designed to provide an Internet-based auction to evaluate the viability of new, online auction methodologies. All parcel evaluation, registration and bidding was performed online.

OGLIAP was made available to the public on July 8, 2009, listing 38 parcels for auction. Ten parcels were later withdrawn from the auction by the BLM Colorado State Office. The remaining parcels were divided to open for bidding over a 2-day period. Each parcel, after opening, was available for a 7-day bidding period. Parcels closed for bidding on September 16-17, 2009.

Viewer statistics and notes

- OGLIAP received parcel views from 92% of U.S. states; 100% of oil and gas producing states
- 1,500+ unique visitors accessed the site from 46 individual states more than 22,000 times
- 100% website uptime; 24/7 availability

U.S. citizen bidder statistics and notes

- OGLIAP received bidder registrations from a total of 65 individuals from 17 states
- 22 registered bidders placed 98 total bids and set 32 proxies over 84 distinct bidding events
- Bidders utilized all available bidding options involving flat bids and proxies
- Registered bidders enjoyed a total estimated travel savings of 31,885 miles for this auction, including distant states such as Massachusetts, Florida and Hawaii.

Benefits of the online auction format to the BLM

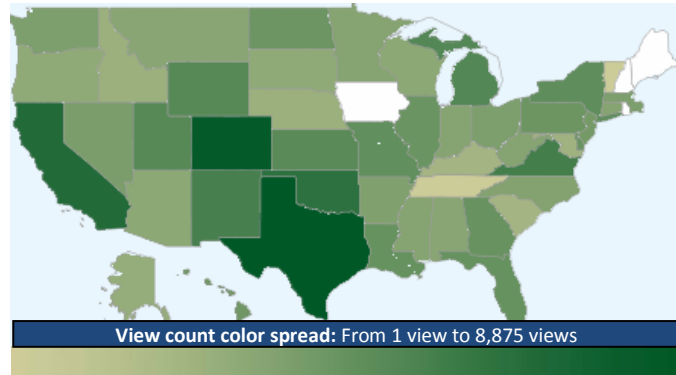
- Instant, paperless, coast-to-coast exposure of BLM parcels provides the capability to immediately update parcel information and actively notify auction participants via email
- Nationwide user participation without travel restrictions, increasing bidder competition by expanding the potential bidder pool
- Potential to standardize online parcel presentation across all lease sales
- Modern bidding system provides participants with flexible, configurable bidding options including proxy bidding.
- Fully Section 508 compliant for a highly accessible website
- Online presentation removes physical location for possible auction sidewalk protests
- Potential for tight integration with existing BLM systems including loading parcel information, online payment acceptance, and integration with CBS.
- The online format gives the BLM flexibility with scheduling and updates
 - Auctions can be postponed for a short amount of time, and participants notified.
 - Auctions with any sort of interruption (i.e. technical, weather-related, etc.) can be immediately rescheduled, reset and resumed



Geographic viewer distribution

Viewers to the OGLIAP website were calculated from the day of the initial launch to the public through the final auction. In that time, approximately **1,551 unique viewers** from **46 individual states** accessed the OGLIAP website **22,042 times**.

Viewers are enumerated based upon each unique IP address that accessed a page of the website. Please note that this method of calculation presumes that one IP address represents one individual, and cannot account for multiple individuals accessing the site from the same corporate network. It also cannot account for one individual accessing the site from more than one network.



OGLIAP view breakdown per state

State	OGLIAP Views
TX	8875
CO	6838
CA	2044
OK	1239
VA	464
NM	396
MI	218
WY	185
UT	180
KS	178
NY	132
MO	117
LA	99
FL	99
GA	94
DE	87
IL	84
PA	73
ND	71
HI	61
NJ	46
NV	41
WA	34
OH	32
MA	32
AR	29
NC	25
MS	24
MN	24
WV	23
CT	23
IN	22
AL	20
MT	19
WI	18
AZ	17
SD	15
OR	14
AK	11
NE	9
ID	9
MD	7
SC	6
KY	6
TN	1
VT	1
TOTAL	22,042

Potential for paper and carbon emission reduction

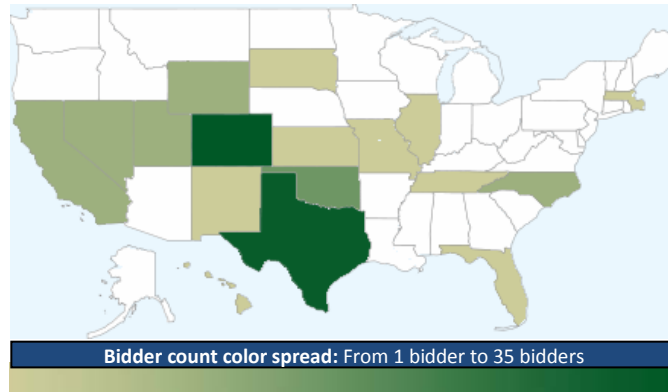
If each of these unique viewers represented a reduction in the number of paper-based auction/parcel listings books that must be printed and mailed, at an average of 50 pieces of paper per book, this would result in the saving of **over 124 reams of paper** and **1.38 metric tons of carbon emissions**¹.



Geographic registered bidder distribution

During the registration period, a total of **65 individuals from 17 states** registered for the OGLIAP sale.

For purposes of this report, a registered bidder represents an interested member of the public that completed the three-part registration process in order to obtain a bidder number. The registration process included bidder and lessee contact



State	Bidders
CO	33
TX	9
OK	4
CA	2
WY	2
NC	2
NV	2
UT	2
MA	1
SD	1
HI	1
IL	1
NM	1
MO	1
KS	1
TN	1
FL	1

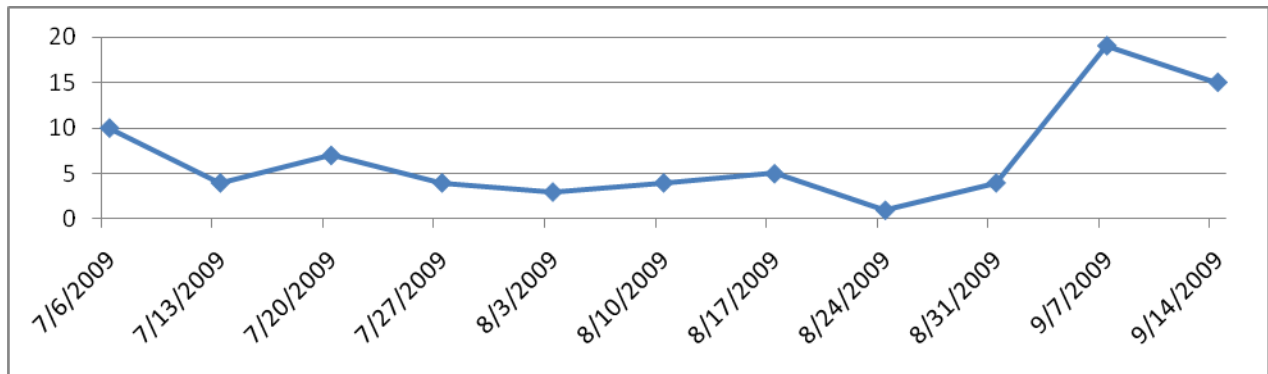
information, identity validation through Pay.gov, agreement to the terms and stipulations of a BLM auction and the creation of a username and password. "Test registrations" from EnergyNet and BLM employees are not included in this report.

Rather than wait to register on a single day of sale, OGLIAP bidders were able to register for a bidder number more than two months before the close of the sale.

Bidders were able to register 24 hours a day. Three bidders completed their registration after 10:00pm.

Bidder registrations by week

The following graph represents the rate of registrations broken down by week. The most registration activity took place at launch and when parcels became available for bidding.



Potential for mileage and carbon emission savings

Estimating the distance between each registered bidder and the BLM Colorado State Office, registered bidders enjoyed a potential **travel savings of 31,885 miles and 7 metric tons or carbon emissionsⁱⁱ** for this auction.



Registered bidder activity during the auction period

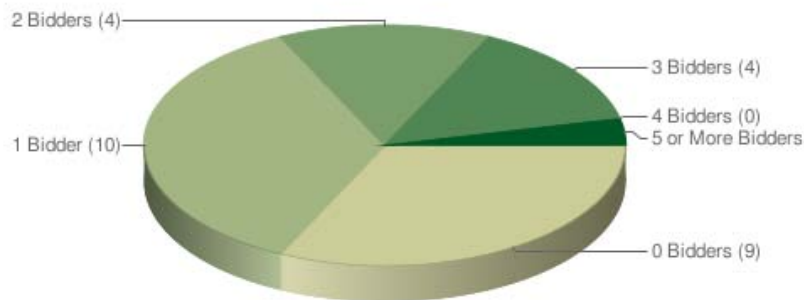
During the 8-day auction period, a total of **22 registered bidders** placed **98 total bids** and set **32 proxies** over **84 distinct bidding events**.

Users independently tested all available features of the OGLIAP bidding system, demonstrating both the flexibility and acceptance of the prevailing online auction format:

- Placing only a flat bid
- Placing only a proxy
- Placing a flat bid in combination with a proxy
- Revocation of a proxy

Bidders per parcel

The following chart illustrates the distribution of bids among the parcels available for auction. The parcels included in the pilot auction were considered non-controversial parcels. Nonetheless, many of the parcels generated strong competition among the bidders.



Number of parcels deferred	10
Number of parcels with no bidders	9
Number of parcels with 1 bidders	10
Number of parcels with 2 bidders	4
Number of parcels with 3 bidders	4
Number of parcels with 6 bidders	1
Average number of active bidders for all parcels receiving bids	1.9



Parcels receiving bids

The table below lists the parcels available during the pilot sale along with the bidding activity each parcel received. Note that nearly every parcel that received a bid also had a proxy bid set by a bidder as well. This adoption indicates that bidders recognized and utilized the advanced features of the OGLIAP bidding system.

Parcel	Size	Total Bonus Bid	High Bid Per Acre	High Proxy	# Bidders	# Bids
COC73848	160.000	\$320.00	\$2.00	\$15.00	1	1
COC73849	160.000	\$6,720.00	\$42.00	\$100.00	3	19
COC73850	254.670	\$510.00	\$2.00	\$6.00	1	1
COC73851	69.630	\$350.00	\$5.00	\$21.00	2	3
COC73857	80.000	\$240.00	\$3.00		2	2
COC73858	40.000	\$80.00	\$2.00		1	1
COC73863	2040.000	\$4,080.00	\$2.00	\$7.00	1	1
COC73873	1444.380	\$111,265.00	\$77.00	\$276.00	3	7
COC73874	320.000	\$640.00	\$2.00	\$12.00	1	1
COC73875	323.710	\$648.00	\$2.00	\$5.00	1	1
COC73876	160.000	\$1,440.00	\$9.00	\$25.00	2	5
COC73877	305.000	\$4,880.00	\$16.00	\$50.00	2	3
COC73878	40.000	\$200.00	\$5.00	\$52.00	3	4
COC73879	1.240	\$1,554.00	\$777.00	\$2,501.00	6	41
COC73880	627.600	\$3,140.00	\$5.00	\$88.00	3	4
COC73881	80.150	\$162.00	\$2.00	\$188.00	1	1
COC73883	120.000	\$240.00	\$2.00	\$24.00	1	1
COC73884	880.000	\$1,760.00	\$2.00	\$6.00	1	1
COC73885	594.420	\$1,190.00	\$2.00	\$24.00	1	1
TOTALS	7700.800	\$139,419.00				
<i>Averages</i>			<i>\$50.47</i>		<i>1.9</i>	<i>5.2</i>

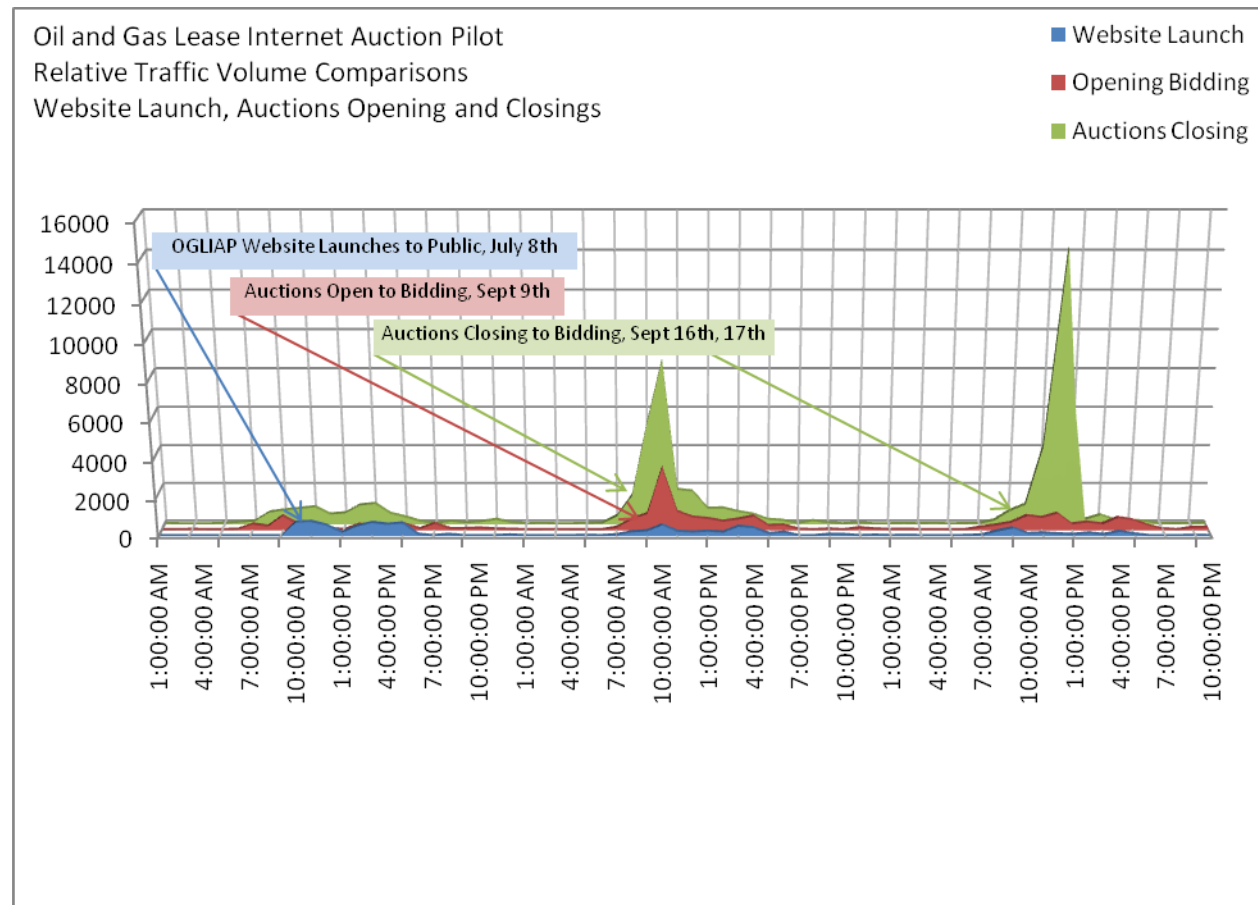


Relative traffic volume comparisons

Website traffic for OGLIAP is difficult to quantify based on individual hits and is more meaningful when taken in aggregate form and viewed as a comparison of relative traffic over various stages of the project lifecycle.

The following graph plots three individual three-day periods that mark the most active periods of the OGLIAP program. **These three-day periods are overlapped on the graph for comparison.**

- The **blue graph** represents the first day that OGLIAP was available to the public, followed by the next two days. Traffic was driven primarily by the press and word of mouth. (July 8-10, 2009)
- The **red graph** represents the day before parcels opened for bidding, followed by the first two days where bidding was allowed. (September 8-10, 2009)
- The **green graph** represents the day prior to the first parcel's closing date, followed by the two days on which all parcels closed for bidding, resulting in higher traffic. (September 15-17, 2009)



The graph illustrates the increasing pattern of interest in the auction, closely tied to the milestones within the project itself. The period of time during which parcels were closing for auction represents the sudden swell of excitement as final bids were placed and interested parties "refreshed" their web browsers closely monitor the progression of the bidding cycle.



OGLIAP Help Center and Help Desk

The OGLIAP website was designed to be simple to use and easy to learn. "Help icons" were scattered throughout the site where bidders may need information quickly. They were activated simply by hovering a mouse pointer over them.

The online Help Center offered two training videos ("The Registration Process" and "The Bidding Process"), a full User Guide, a Quick Start Guide and a Frequently Asked Questions (FAQ) section.

Starting on the day the OGLIAP website was launched to the public, and through the day of sale, EnergyNet also maintained a telephone Help Desk. Detailed recorded instructions about the common areas of OGLIAP, recorded in both English and Spanish, were available 24 hours a day. Live Help Desk attendants were available between the hours of 8:00am-4:00pm Mountain Time, Monday-Friday.

The Help Desk received calls from ten individuals, all of which received immediate assistance. Several callers later won parcels at the auction.

The primary technical issue presented to the Help Desk was related to the use of Internet Explorer version 6 and the configuration of the BLM's NetContinuum device that acted as a reverse proxy for the OGLIAP website. This outdated web browser must be configured properly in order to access any secure web page offered by *any* BLM.gov website. Once a suitable solution was discovered, additional instructions were added to the FAQ section of the Help Center online.

When a user began, but failed to complete their registration for any reason, the Help Desk proactively contacted the user via email with helpful instructions. In most cases, individuals who received these additional instructions completed their registrations successfully.

Comments received via the Help Desk

"We've never had deep enough pockets to travel to a live sale. This is great we'll be able to go on the Internet."

Edward Stephens
September 5, 2009

"I have eight thousand acres in BLM Leases in east Texas, and it's exciting to be able to participate in other states this way."

James Baccus
September 5, 2009





BLM Administration Console

During the entire life cycle of the OGLIAP website, the BLM has utilized the OGLIAP administrative portion of the website to monitor auction performance as well as build and maintain lists of lease sale registrations. All reports in the OGLIAP administration area are generated in real time, and may be refreshed with current data at any time.

The administration section's 24/7 approach to managing the auction allowed BLM lease sale officials to maintain a complete and detailed picture of the online auction process as it progressed. Also, by building the administration tools into the website, no additional software was required for the BLM operators, in turn facilitating the adoption of the online tools.

The administration section contains a varied set of tools including:

- Auction summary standings / scoreboard
- Parcel search
- Bidder search
 - Registration count statistics
 - Account information & lessee information viewer
 - Bid, win, and view reports per bidder
- Sale result summary
- Registration rule management
- Uptime report
- Transfer sale data capabilities (CSV, text, PDF and pipe-delimited)
 - Lease sale receipt information
 - Bidder registration information
 - Competitive bid form information
- Final sale analysis for the BLM Colorado State Office website
- Access to 3000-02 forms generated by the website
- Post auction evaluation report
 - Individual graphical analysis of each auction
 - Bidding competition analysis
 - View and registration mapping analysis



Media coverage

The OGLIAP project has been mentioned in several media outlets. All of the reports EnergyNet encountered presented the OGLIAP project in a positive manner, noting the historic element of the BLM Leasing Program's first use of an Internet platform for oil and gas leases. Below are samplings from some of the articles written about the project:

Mainstream media

"The federal Bureau of Land Management is going eBay — or at least eBayish. The September auction of Colorado oil and gas leases will be held online — a \$250,000 pilot project that could lead to all federal lease sales being conducted on the Internet..."

The Denver Post

BLM to try online auction for Colorado oil, gas leases

July 8, 2009

"DENVER (AP) - The Colorado office of the Bureau of Land Management will achieve a first for the agency when it conducts its next quarterly oil and gas lease auction online..."

Associated Press

Colo. BLM picked for pilot online lease auction

July 10, 2009

"The Bureau of Land Management's Colorado office said Monday it will hold the federal land agency's first-ever online auction of oil and gas leases under a pilot program..."

Denver Business Journal

BLM Colorado to hold first-ever online auction for oil, gas leases

July 13, 2009

"...Right now, the BLM is conducting an online pilot auction, giving bidders a chance to compete for parcels online rather than in person. San Miguel County Planning Director Mike Rozycki said the BLM was testing the new system but will fall back on its normal method — an in-person auction the Denver suburb of Lakewood — while the federal government reviews the online method..."

Telluride Daily Planet

*No acres up for mineral lease in San Miguel County:
Uranium may again boom, but oil and gas is quiet, for now*

September 16, 2009



"In the agency's first-ever online sale of oil and gas leases, the U.S. Bureau of Land Management's Colorado office sold 19 parcels of 28 offered, totaling 7,701 acres, and earned \$153,637..."

Denver Business Journal

BLM nets \$154K in first-ever online lease sale in Colorado

September 14, 2009

EnergyNet.com, Inc. press release

EnergyNet published the following press release on its website. It was distributed it to various industry publications for their consideration:

EnergyNet.com, Inc. implements BLM's first Internet-based oil and gas lease auction

July 22, 2009

Amarillo, Texas

For the first time in history, the Bureau of Land Management (BLM) will conduct one of their scheduled oil and gas lease sales via the Internet. The BLM's Internet-based auction has been built by EnergyNet.com, Inc., an Amarillo, Texas corporation. The BLM's Colorado State Office has included 38 parcels for this auction, as nominated by the public. The one-week parcel bidding period begins at 9:00 am (MDT) on September 9, 2009. The Oil and Gas Lease Internet Auction Pilot (OGLIAP) website became available to the public on July 8, 2009 at <http://www.blm.gov/leasingpilot/>.

The BLM's Mineral Leasing Program has traditionally utilized a live outcry auction format. In the FY2008 Consolidated Appropriations Act, Congress directed the BLM to conduct an Internet-based pilot auction in order to evaluate potential savings and benefits to the Federal government and lease sale participants. After a competitive bidding process, EnergyNet.com, Inc. was awarded the contract to develop the pilot in August, 2008.

EnergyNet.com has more than ten years of experience auctioning over 28,000 oil and gas properties on the Internet in a continuous online marketplace. "We hope this is just the first of many initiatives designed to improve service for Federal Lease buyers," says Bill Britain, CEO and co-founder of EnergyNet.com, Inc. "EnergyNet experiences firsthand, on a weekly basis, just how powerful the continuous Internet oil and gas property marketplace is. We're excited to see the BLM test the waters for themselves, and we're honored to be a part of that process."

The OGLIAP web site allows interested parties to register and be assigned an anonymous bidder number with which to participate in the pilot auction. Detailed information about the parcels up for auction is currently available for research on the website, including unique parcel stipulations and maps. Each parcel will be available for a 7-day bidding period. The first parcel opens for bidding on September 9, 2009 at 9:00 AM (MDT). Additional parcels commence their bidding period in 10-minute increments following the first; spread over a 2-day period. The first parcel's auction period closes at 9:00 AM (MDT), September 16, 2009.



For those who are new to the online auction process, the OGLIAP site features a full Help Center, including detailed user guides and online tutorial videos. Users of the web site are offered online “Help Icons” to assist them throughout the various stages of the auction process. A Help Desk phone line, featuring both English and Spanish instruction, is available to users who need additional assistance.

After the sale concludes in September, the BLM will analyze the results and then decide on “next steps” with regard to the Federal Leasing program. “This process mirrors private sector advances in presenting due diligence data and making properties available for auction on-line,” says Britain. “The Internet removes the barriers traditionally associated with an outcry auction, namely travel expenses and anonymity concerns.”

About EnergyNet.com

EnergyNet.com, Inc. provides continuous, online marketing services to the oil and gas industry. EnergyNet offers its clients a pure Internet trading community, the first real-time Internet oil and gas property auction service in which buyers and sellers are brought together to divest and acquire oil and gas properties. EnergyNet’s service permits sellers to divest properties with a reserve price and buyers to bid on properties of interest. EnergyNet users browse through property data in online data rooms that are available 24 hours a day, 7 days a week and 365 days a year. EnergyNet clients are able to buy and sell oil and gas properties from virtually any computer or PDA.

EnergyNet clients include major oil companies, large independents, bank trust departments, foundations, churches, universities and individuals. EnergyNet’s technological reach presents an oil and gas property portfolio to thousands of buyers with multi-billion-dollar buying power. EnergyNet maximizes divestment returns by enabling sellers to achieve the highest prices for properties in the industry and to drive down costs as well.

Headquartered in Amarillo, Texas, EnergyNet has Business Development Representatives in Amarillo, Houston, and Dallas, Texas; Oklahoma City, Oklahoma; Denver, Colorado; and Bloomfield, Michigan. EnergyNet principals have more than 30 years’ experience in the oil and gas industry and have been actively involved in acquisition and divestiture, exploration and production, producing well operations, drilling, geology, engineering and land management. EnergyNet is a registered FINRA Broker/Dealer.

Website: <http://www.energynet.com/>

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Appendix A: Final Results for Oil and Gas Lease Sale

The following information is taken from the report titled "Bureau of Land Management, Colorado State Office Final Results for Oil and Gas Lease Sale."

Summary of September 9-17th, 2009 Sale

Number of Parcels Offered:	28
Number of Parcels Sold:	19
Percentage of Parcels Sold:	67.86%
Number of Acres Offered:	15,216.340
Number of Acres Sold:	7,700.800
Percentage of Acres Sold:	50.61%
Average Bid Per Acre:	\$50.47
High Bid Per Acre:	\$777.00
High Bonus Bid:	\$111,265.00
Total Bonus Bid:	\$139,419.00
Total Rental:	\$11,557.50
Total Administrative Fees:	\$2,660.00
Total Revenues:	\$153,636.50
Minimum Due on Day of Sale:	\$29,619.10

High Bidder - \$777.00 / acre Bid

PETROLEUM DEVELOPMENT CORPORATION
1775 SHERMAN STREET
SUITE 3000
DENVER, CO 80203

High Bidder - \$111,265.00 Total Bonus

ABO PETROLEUM CORPORATION, MYCO INDUSTRIES, INC., YATES DRILLING COMPANY, YATES
PETROLEUM CORPORATION
105 SOUTH FOURTH STREET
ARTESIA, NM 88210

Parcels Sold at the Sept 9-17th, 2009 Sale

Parcel Number	Applicant's Name and Address	Bid Per Acre	Bonus Bid
COC73848	VECTA OIL & GAS, LTD. P. O. BOX 280830 DENVER, CO 80228	\$2.00	\$320.00
COC73849	EXTERRA RESOURCES, LLC 256 SEABOARD LN. #101 FRANKLIN, TN 37067	\$42.00	\$6,720.00



Parcel Number	Applicant's Name and Address	Bid Per Acre	Bonus Bid
COC73850	PLAINSMEN PARTNERS LLC 1000 W. WILSHIRE - SUITE # 311 OKLAHOMA CITY, OK 73116	\$2.00	\$510.00
COC73851	MULL DRILLING COMPANY, INC. BULDING 1200 1700 N. WATERFRONT PARKWAY WICHITA, KS 67206	\$5.00	\$350.00
COC73857	PINE RIDGE OIL & GAS, LLC 600 SEVENTEENTH ST. SUITE 800-SOUTH DENVER, CO 80202	\$3.00	\$240.00
COC73858	PINE RIDGE OIL & GAS, LLC 600 SEVENTEENTH ST. SUITE 800-SOUTH DENVER, CO 80202	\$2.00	\$80.00
COC73863	HANNON & ASSOCIATES, INC. 1615 CALIFORNIA STREET, SUITE 623 DENVER, CO 80202	\$2.00	\$4,080.00
COC73873	ABO PETROLEUM CORPORATION, MYCO INDUSTRIES, INC., YATES DRILLING COMPANY, YATES PETROLEUM CORPORATION 105 SOUTH FOURTH STREET ARTESIA, NM 88210	\$77.00	\$111,265.00
COC73874	ADVANTAGE RESOURCES, INC. 1775 SHERMAN ST. SUITE 1700 DENVER, CO 80203	\$2.00	\$640.00
COC73875	BASELINE MINERALS, INC. 518 17TH STREET SUITE 1050 DENVER, CO 80202	\$2.00	\$648.00
COC73876	VECTA OIL & GAS, LTD. P. O. BOX 280830 DENVER, CO 80228	\$9.00	\$1,440.00
COC73877	VECTA OIL & GAS, LTD. P. O. BOX 280830 DENVER, CO 80228	\$16.00	\$4,880.00
COC73878	MARKUS PRODUCTION, INC, 2100 W. LITTLETON BLVD. SUITE 245 LITTLETON, CO 80120	\$5.00	\$200.00
COC73879	PETROLEUM DEVELOPMENT CORPORATION 1775 SHERMAN STREET SUITE 3000 DENVER, CO 80203	\$777.00	\$1,554.00



Parcel Number	Applicant's Name and Address	Bid Per Acre	Bonus Bid
COC73880	ABO PETROLEUM CORPORATION, MYCO INDUSTRIES, INC., YATES DRILLING COMPANY, YATES PETROLEUM CORPORATION 105 SOUTH FOURTH STREET ARTESIA, NM 88210	\$5.00	\$3,140.00
COC73881	ABO PETROLEUM CORPORATION, MYCO INDUSTRIES, INC., YATES DRILLING COMPANY, YATES PETROLEUM CORPORATION 105 SOUTH FOURTH STREET ARTESIA, NM 88210	\$2.00	\$162.00
COC73883	WESTCLIFF RESOURCES, LLC 250 EUDORA STREET DENVER, CO 80220	\$2.00	\$240.00
COC73884	WESTCLIFF RESOURCES, LLC 250 EUDORA STREET DENVER, CO 80220	\$2.00	\$1,760.00
COC73885	WESTCLIFF RESOURCES, LLC 250 EUDORA STREET DENVER, CO 80220	\$2.00	\$1,190.00

Parcels Not Sold at the Sept 9-17th, 2009 Sale

Parcel Number	NCO Pending
COC73852	No
COC73853	No
COC73854	No
COC73855	No
COC73856	No
COC73859	No
COC73860	No
COC73861	No
COC73862	No
COC73864	No
COC73865	No
COC73866	No
COC73867	No
COC73868	No
COC73869	No
COC73870	No
COC73871	No
COC73872	No
COC73882	No



Endnotes

ⁱ Each piece of printer paper weighs about 0.009 pounds. 1 pound paper / 0.009 pounds per sheet = 111.1 sheets of paper; U.S. EPA, 2006. Solid Waste Management and Greenhouse Gases: A Life-Cycle Assessment of Emissions and Sinks, EPA530-R-06-004; 1 pound printer paper * 0.00045 metric tons printer paper / pound printer paper * 4.36 metric tons CO2 saved / 1 metric ton of printer paper source reduced * 2,200 pounds / metric ton = 4.36 pounds of CO2 saved by using 1 less pound of paper at the source; 1551 unique viewers * 50 pages/viewer = 7750 pages / 111.1 pages/lb = 698 lbs paper * 4.36 lbs CO2/lb paper = 3043 lbs CO2 saved or 1.38 metric tons

ⁱⁱ To calculate your personal air travel emissions, the number of round trips of selected duration/distance are entered into an equation as follows. Total Revenue Passenger miles flown per year [U.S. Department of Transportation, Bureau of Transportation Statistics; TranStats, Air Carrier Summary: Schedule T-1] divided by total jet fuel consumed per year [U.S. Department of Transportation, Bureau of Transportation Statistics, "Airline Fuel Cost and Consumption"], resulting in 43.13 Passenger miles flown per gallon of jet fuel. This figure is divided into the 23.88 pounds of carbon dioxide produced per gallon of jet fuel used [U.S. Department of Transportation, Bureau of Transportation Statistics, "Airline Fuel Cost and Consumption"], yielding 0.484 pounds of carbon dioxide per Passenger mile flown. The number of miles actually flown (inputted) is multiplied by this figure, and to calculate metric tons, the product is divided by 2,205.

0.484 lbs/mi * 31,885 mi = 15,432.34 lbs or 7 metric tons CO2



ENERGYNET.COM, INC.

Updated Research and Industry Feedback

Oil and Gas Lease Internet Auction Pilot (OGLIAP)

3/3/2010

This document includes internal information and analysis concerning the Oil and Gas Lease Internet Auction Pilot (OGLIAP) system developed by EnergyNet.com, Incorporated for the Bureau of Land Management (BLM). Information included in this report may only be reproduced with specific written permission from EnergyNet.com, Inc., unless by the Bureau of Land Management.

The continuous online marketplace advantage

The EnergyNet continuous online auction marketplace offers the BLM maximum flexibility with regard to the timing of marketing and sale of federal leases. EnergyNet maintained the ability for buyers to conduct due diligence on seller's oil and gas properties 365 days during 2009 and ended auctions virtually every Tuesday, Wednesday and Thursday of every week of the year. Therefore, sellers were able to conclude the sale of their properties on 150 auction days during 2009. EnergyNet has maintained that same schedule for the past seven (7) years and is providing that same auction schedule during 2010.

EnergyNet provides sellers and buyers with critical third party data in concert with the due diligence information provided by seller and formatted by EnergyNet on each parcel. This informs buyers and enhances value for sellers. For example, direct, real-time links to DrillingInfo.com give buyers access to the latest leasing, well permitting and production information in the immediate area of the parcel being sold. This type of third party enhancement data, presented by EnergyNet in a convenient online format, produces maximum competition for the parcel and therefore higher prices achieved by the seller. All pertinent data is immediately available to all buyers, and the "discount for the unknown" is lessened or removed. EnergyNet has access to and employs other third party enhancement data on its commercial site with outstanding results.

To illustrate how EnergyNet's continuous auction marketplace achieves superior results, EnergyNet conducted an online sale of a group of oil and gas properties for a large independent oil and gas company. A companion set of properties from the same Permian Basin area was sold in a live auction in the same week. The selling company established an aggregate reserve (or minimum bid price) of approximately \$16 million on the EnergyNet online sale properties and \$16 million on the live auction properties. The EnergyNet properties sold for approximately \$24 million, whereas the live auction properties sold for less than \$19 million. The sales took place within the same week, so oil and gas prices were comparable. The difference in value achieved was the completeness and ease of access to due diligence data and the increased competition because of increased participation from buyers who weren't restricted by travel to the live auction.

A zero-cost auction solution for the BLM

EnergyNet has been marketing properties for the Federal Deposit Insurance Corporation (FDIC) since mid-2009. The FDIC has chosen to integrate their properties directly into the EnergyNet.com marketplace in order to take advantage of our popular existing structure, vast marketing efforts and 14,000+ registered bidders.

Rather than the FDIC paying EnergyNet a commission, which is customary in our private sector sales, the FDIC directed EnergyNet to charge the buyer a "buyer's premium." In this way, ***the FDIC is not paying any cost to sell its properties within the EnergyNet.com marketplace.***



The BLM could fully cover the costs of an online auction platform by either adding to their existing administrative fee, adding a small "convenience fee," or utilizing a similar "buyer's premium." Merging BLM properties into the existing EnergyNet.com platform would leverage an existing marketplace and provide more competition for the BLM's lease auctions along with maximum convenience and flexibility for BLM employees.

Feedback from OGLIAP participants

"I was very satisfied with the Internet auction experience. The software performed exactly like I expected. The bidding process was easy to understand and live bidding was easy to track. At all times, I was able to recognize the current high bidder.

The software was simple, easy to use, and worked in a more efficient manner than most oral auctions. The software works in the same manner as many other "online bidding" forums used today.

The instructions and tutorials covered every aspect of the software. I was very confident in every action performed and most actions needed little to no explanation.

The part of the auction software I liked the least was the registration process/Creating multiple user names.

While the bidding software fully performed all necessary actions, the registration process left me with many questions concerning the need to create multiple user names, log-ins, etc. It seems that this portion of the software could benefit from simpler processes."

Devon Energy Company

February 26, 2010

"The system worked well, we had no issue logging in, viewing parcel information or bidding."

Mark Brown

February 24, 2010

"It was fairly easy to get logged in and the service seemed fine. I prefer attending the live sale so that I can see who is bidding against me¹, though the online system did not hinder my ability to purchase parcels."

¹ One of the reasons EnergyNet was created was that the EnergyNet founders, when selling their own properties during live auctions, witnessed bidders in the same room grouping together and setting a "price ceiling" and then sharing assignment of the property. This possibility is greatly diminished using anonymous, randomly assigned online bidder user numbers, thus resulting in higher final sale prices for the seller.



David Huff
February 24, 2010

"We've never had deep enough pockets to travel to a live sale. This is great we'll be able to go on the Internet."

Edward Stephens
September 5, 2009

"I have eight thousand acres in BLM Leases in east Texas, and it's exciting to be able to participate in other states this way."

James Baccus
September 5, 2009

[This email from a non-participant during the OGLIAP auction period indicated an interest in future online sales.]

"Can you tell me how my company can get information on your O&G Lease Auctions in the future?
Thank you for any help you might give me.

Thank you,"

Teresa Long
Assistant Landman
Chesapeake Energy Corporation
September 10, 2009

Feedback for EnergyNet's commercial online auction platform

"Thank you again for the invaluable service that you and your co-workers provide exploration and production companies. For your information, the proceeds from this sale will be used to put more Americans to work and drill part of many more wells (that may sell on EnergyNet.com at a later date). Highland Exploration, LLC considers EnergyNet.com a strategic partner in our efforts to accomplish our business goals. We applaud EnergyNet.com for hiring and retaining no nonsense individuals who make it all happen behind the scenes.



When it comes down to the re-investment of America's oil and natural gas industry: Energynet.com is helping to develop new resources that re-power the nation."

Clay Gatlin
Highland Exploration, LLC

"Let me introduce myself, my name is John Monych I want to write a brief email and praise your company and especially one of your managers Michael Baker. I am a small royalty owner with many properties with small royalty interest in them. I wanted to sell a couple units in the Barnett Shale and was given the name of Michael Baker thru one of my friends in the business and I couldn't have been more pleased with the meeting.

From the very introduction of himself until the units were sold Mr. Baker has handled every aspect with the utmost of skill and professionalism. He kept me informed weekly and was available to answer any and all questions I had throughout the process. As for your company it was everything he said it would be, the setup and description along with all the diligence you put forth was more than anyone can ask for. It's nice to know in today's markets with energy prices falling the way they are that you have a company with great employees like Michael Baker that go the extra mile for your customers. I will definitely use your service again and refer you to everyone I know! Thanks again for your service, it has definitely been my pleasure."

John Monych
Royalty Owner

"EnergyNet is the oil and gas marketplace of the present and of the future. The website is clean and easy to navigate, and there is always enough information on the properties to make a sound business decision. Once an anonymous bid is placed, it doesn't take long to find out if you are the high bidder. EnergyNet is the most efficient way to acquire oil and gas properties - bar none."

MLS
20-year Auction Veteran

"My client just bought 3 lots of San Juan Basin properties. I was in West Virginia at the time and the bidding really got aggressive. I just wanted to let you know they really like the process and the ease of which it is to buy properties. It seems like we negotiate a deal it takes forever and they never get closed. This way it is decisive and the package is already put together."

Olen Wilson
Project Manager - Crown Exploration, Ltd.



"I would like to thank all of the individuals associated with EnergyNet.com for all of their hard work and dedication in making this sale possible. It is always a true delight working with your establishment."

Aziz Delrahim
Delco Petroleum

"We are actually astonished at the results of the auction; as far as we're concerned you're running a great service."

Sally Sievers
Executrix - Estate of Caroline Sievers

"You guys are efficient and great to work with indeed."

Neal Stover
Vice President - Northern Trust

"I would like to thank you for all your help. It's a pleasure doing business with you and with EnergyNet. It's very nice doing business with a company that knows what they are doing. Everyone I've spoken with has been very knowledgeable and helpful. It's rare, but very appreciated to find such excellent customer service in all aspects of a company."

Liz Nelson
Land Tech. - Greenstar Resources Operating, L.L.C.

"Gentlemen, What an incredible idea you have for buying and selling oil and gas properties through your program. To date, I have bid on six properties and have purchased two. I couldn't believe how easy it was to log-in and start bidding. I never dreamed that I would see something as professional and exciting as this method of buying properties could be. In the past, I attended a couple of live auctions and swore I wouldn't do that again. They were expensive and time consuming, not to mention the confusion and hassle. Thanks for making it possible to participate in your auction and allowing many of us to observe and interact with many in the industry. "

Joe C. Richardson
Texas Oil & Gas Pioneer



"Innovative. Convenient to use from any computer. EnergyNet.com is a great service and extremely easy to work with. This is the most effective and efficient way to buy properties that I have seen."

Veteran Auction Attendee

"I found the properties easy to review - with sufficient information to make an analysis and decision. The bidding process is easy to understand and use. I am looking forward to using energynet.com in the future. One of the best internet auction engines."

Denver Buyer

"I wanted to tell you how much the "Properties Sold" category is such an invaluable tool to go back and see data and bid histories for properties we have sold. We've had to refer to it several times over the last two years."

Steve Collins

V.P. Operations - Five States Energy Company, LLC



The following website URL leads to a 10-minute video presentation regarding the benefits of the BLM Live Internet Auctions Act, HR 2752:

http://www.energynet.com/blm_internet_auction.pl



Increased participation and competition

The EnergyNet Marketplace:

More than 16,500 *active*, sophisticated, registered, accredited oil and gas investors

More than 35,500 properties sold – \$750+M in total sales

...all from a web browser

WHY ENERGYNET?
Learn about the many advantages of online auctions.

READY TO REGISTER?
Register as a buyer or seller.

NEED HELP?
Contact our 24/7 Online Support team.

EN ENERGYNET

10 - Marcellus Mineral Group, LLC
Marcellus Shale - Non-Producing Minerals
Marcellus, West Virginia County, Pennsylvania

Property Highlights:

- 1,000+ acre mineral lease
- 1,000+ acre mineral lease
- 1,000+ acre mineral lease
- 1,000+ acre mineral lease

For More Information Contact:

John J. [Redacted]
[Redacted]
[Redacted]

Logos: Chevron, Shell, Targa, EquiHold, Chesapeake

0:00 / 0:00

YouTube

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Member FINRA

Investments in oil and gas properties involve substantial risk, including possible loss of principal. These risks include commodity price fluctuations and unforeseen events that may affect oil and gas property values.



Match our capabilities
to your requirements.

Call 877-351-4488
or visit our website:
www.energynet.com



The Only Continuous Online
Oil & Gas Property Marketplace
Specializing in Auction and Mid-Tier
Negotiated Sales 24/7/365

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The EnergyNet Advantages

Timely Sales Cycle

Selling auction properties with EnergyNet takes only 35 days from start to finish regardless of the number of properties. EnergyNet has 140+ auction closing dates per year. Properties are available for review and bidding 24/7/365. EnergyNet's real time marketplace is designed for sellers and buyers offering constant liquidity.

National Exposure

EnergyNet has 16,500 + registered bidders from all 50 states, with 8,200+ unique bidders participating monthly. On average, EnergyNet has 8.4 bidders per auction transaction. EnergyNet's online auction attracts bidders who would be unable or unwilling to attend an on-site auction which increases revenue for the seller.

Market Knowledge

The 24/7/365 market provides an accurate value assessment in a dynamic market, tracking metrics on a consistent and frequent basis, with property sales in every onshore U.S. basin.

Evaluation Data

EnergyNet provides all due diligence material in a consistent, organized, and complete online data room. EnergyNet has perfected data distribution to the marketplace, creating a level playing field which attracts bidders and increases revenue for the seller.

Competitive Bidding

Listing properties in their lowest definable strategic unit (single well, lease or field) allows more bidders to participate and in turn maximizes value. Additionally, EnergyNet's proxy bidding system facilitates asynchronous bidding and reduces the need for bidders to monitor auctions, attracting bidders and increasing revenue for the seller.

Execution of Closings

EnergyNet closes 2,000+ transactions annually and has sold 35,000+ properties. More than 3,800 unique entities have sold assets through EnergyNet, with an auction success rate of 82%.

Success-Based Fee

EnergyNet works on a success-based commission only. If the property does not sell, we do not get paid.



What classifies an auction property?

- Market value up to \$20 MM
- Asset is predominately proved reserves
- Minerals, Overrides, Royalties and Working Interests
- Operationally and contractually simple

Services included in success fee

- Marketed to 16,500 + buyer network
- Negotiate bids as needed
- Assist in identifying evaluation materials
- Land staff review and comprehensive online data room prep
- Closing, wiring and escrow services
- Create/deliver data packages
- Facilitate auction process
- 35-40 day sale cycle



What classifies a negotiated & leasehold property?

- Market value up to \$100 MM
- Includes non-producing opportunities which require additional data and explanation
- Requires broad and targeted market exposure
- CA may be required for release of specific data
- Operationally and contractually complex

Services included in success fee

- Targeted marketing to companies active in surrounding areas
- Land staff review and comprehensive online data room prep
- Assist in identifying evaluation materials
- Conduct sealed bid sale and negotiate bids
- Technical review with seller of upside potential
- Create/deliver data packages with presentations
- Closing, wiring and escrow services
- 60-90 day sale cycle (varies with complexity)



Recognition

Chevron, ExxonMobil, EnCana and many other large corporations utilize EnergyNet.



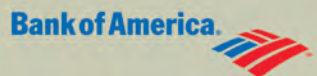
ExxonMobil



ENCANA



devon



ING



Hilcorp Energy Company

JPMorgan





THE CONTINUOUS OIL & GAS PROPERTY MARKETPLACE

Harvard Professor Market Analysis

“In June 2010, I was retained by EnergyNet, Inc. to analyze its continuous auction marketplace. With the assistance of EnergyNet personnel, I constructed hypotheses, collected data, and ran statistical analyses. I reached the following core conclusions in my analysis:

- 1 EnergyNet’s on-line auction format **attracts bidders who would be unable or unwilling to attend an on-site auction**. This feature **increases revenue for the seller**, particularly for smaller lots where travel costs could be prohibitive.
- 2 EnergyNet’s proxy bidding system **facilitates asynchronous bidding and reduces the need for bidders to monitor auctions**, which also attracts bidders and **increases revenue for the seller**.
- 3 Not adopting a hybrid on-line/on-site approach **preserves a level playing field among bidders**, which again attracts bidders to the auction and **increases revenue for the seller.**”

— Guhan Subramanian,
Professor of Law & Business, Harvard Law School
Professor of Business Law, Harvard Business School

EnergyNet: The Proven Auction Advantage

“In 2008, I managed A&D activities for EnCana’s Mid-Continent Business Unit in Dallas, Texas. As a test of the auction process, we put together a divestiture package and split it into two relatively equal-sized component packages, assigning one to Oil and Gas Asset Clearinghouse to sell in its hybrid auction and the other to EnergyNet to sell in its on-line Continuous Auction. Each component package contained roughly 13 lots of varying sizes with a reserve price valuation of approximately \$16.5 million.

“The two auctions took place during the same week so that oil and gas prices were the same. **Clearinghouse’s auction total sale result was \$18.5 million and EnergyNet’s auction total sale result was \$24.5 million.**”

— Larry House

34,000+
Properties Sold



EnergyNet’s continuous oil and gas property marketplace specializes in Auction and Mid-Tier Negotiated sales. A market that operates 24/7/365 offers constant liquidity. Selling properties in their lowest definable strategic unit (single well, lease, or field) maximizes value by attracting more bidders.

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more information at:
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